

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 912 - SB 904**

March 11, 2017

**SUMMARY OF BILL:** Redefines “farm property” for classification and assessment of property taxes.

**ESTIMATED FISCAL IMPACT:**

**Decrease Local Revenue – Net Impact – \$1,470,900**

Assumptions:

- Pursuant to Article 2, Section 28 of the Tennessee Constitution, farm property is assessed at 25 percent of its value and commercial real property is assessed at 40 percent of its value.
- Under current law, pursuant to Tenn. Code Ann. § 67-5-501(3), farm property includes all property that is used for, or held in use, in agriculture, including but not limited to, growing crops, pastures, orchards, nurseries, plants, trees, timber, raising livestock or poultry, or the production of raw dairy products, and acreage used for recreational purposes by clubs, including golf course playing hole improvements.
- This legislation would require a lower assessment percentage of 25 percent for some property uses presently sub-classified as commercial, including: lodging, restaurant, gift shops, wedding venues and other retail operations typically subject to business tax, although the business is conducted at the site of farm operations.
- Based on information provided by the Comptroller of the Treasury (Comptroller), the total statewide recurring decrease in local property tax revenue resulting from the reclassification of land sub-classified as commercial to farm property is estimated to be \$2,899,348.
- This legislation would require the reclassification of some golf courses from agricultural to commercial, requiring a higher assessment percentage of 40 percent of the assessed value.
- Based on information provided by the Comptroller, the total statewide recurring increase in local property tax revenue resulting from the reclassification of golf courses from farm property to commercial property is estimated to be \$1,428,464.
- Impacts to individual local government entities will vary depending on the individual properties affected in each locality; however, the overall recurring net decrease in local property tax revenue is estimated to be \$1,470,884 (\$2,899,348 - \$1,428,464).

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**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj